

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

March 2015

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Flathead Valley Community College for the fiscal years ended June 30, 2014.

The audit was conducted by Denning, Downey & Associates, P.C. under a contract between the firm and our office. The contents of this report represent the views of the firm and not necessarily the Legislative Auditor.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

14C-07

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

BOARD OF TRUSTEES

Robert Nystuen
John Phelps
Ralene Sliter
Shannon Lund
Tom McElwain
Mark Holston
Thomas Harding

Chairperson
Vice Chairperson
Secretary
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Jane Karas
Monica Settles

President
District Clerk

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities, the discretely presented component units, and the aggregate remaining fund information of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of the College's discretely presented component unit, which has a year end of December 31, 2013. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amount included for the audited component unit of the college, is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, which has a year end of December 31, 2013. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Flathead Valley Community College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities, the discretely presented component units, and the aggregate remaining fund information of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedule of funding for other post employment benefits other than pensions on pages 5 through 8, and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Student Financial Aid Modified Statement of Cash Receipts and Disbursements and the Schedule of Federal Expenditures of Student Financial Assistance Programs are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion or provide any assurance on them.

The accompanying Schedule of Full Time Equivalent and the Functional Classification of Operating Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedure in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the Schedule of Full Time Equivalent and the Functional Classification of Operating Expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying schedule of expenditures of federal awards for the year ended June 30, 2013 and June 30, 2014 is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the Flathead Valley Community College, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flathead Valley Community College, Flathead County, Montana's internal control over financial reporting and compliance.

Denning, Downey and Associates, CPA's, P.C.

February 23, 2015

FLATHEAD VALLEY COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2014

Flathead Valley Community College (FVCC) is dedicated to improving lives through learning. FVCC is located in Kalispell and Libby, Montana.

Reading the Annual Financial Report

A requirement of GASB 35 is the Management Discussion and Analysis (MD&A) of the annual financial statements. This section includes narrative descriptions of the FVCC financial condition, results of operations and cash flows. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of FVCC's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of FVCC for fiscal year ended June 30, 2014.

How the Financial Statements Relate to Each Other

The financial statements included are the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting simply means that the transaction is recognized (recorded) when an exchange takes place. An exchange can be defined as a situation in which each party receives and gives something of equal value. For example, a student registers for a class on July 1st and sets up a payment plan to pay tuition and fees in full by July 31st. On July 1st, there is no cash presented, however, because the registration (exchange) takes place (reserved seat in class equals commitment to pay), revenue is recognized on July 1st. An offsetting student receivable is set up to track the amount the student owes. As the student pays for the tuition and fees, the receivable is reduced by the same increment.

The most basic relationships between the statements are described below. The Statement of Net Position presents a snap shot of the financial condition of FVCC on June 30. The Statement of Revenues, Expenses, and Changes in Net Position presents the results of activities for FVCC throughout the fiscal year. The Statement of Cash Flows indicates where and how cash was utilized and provided in order to operate throughout the fiscal year.

The Montana State Legislative auditors have notified the Montana State University System and Community Colleges that the Other Post Employment Benefits (OPEB) calculation was in error for fiscal years 2008 through 2013 in determining the amount of OPEB expense and liability. Flathead Valley Community College has a phase 2 June 30, 2009 implementation date and therefore has made the adjustments for the appropriate fiscal years. The following condensed statements of Net Position and Statement of Revenues, Expenses, and Changes in Net Position have been restated to reflect the adjustments. This issue will affect the entire State of Montana financial statements and all component units.

Statement of Net Position

Assets, liabilities, deferred outflows, deferred inflows and net position are presented in a classified format below. Assets and liabilities represent resources of the College in the current fiscal year. Established and defined by GASB 63 and 65, deferred inflows and outflows are related to future fiscal years and do not represent assets and liabilities. Deferred inflows and outflows are reported to help assess interperiod equity. Net Position (assets and deferred outflows less liabilities and deferred inflows) is presented in three categories applicable to FVCC:

- Unrestricted
- Restricted – Expendable
– Nonexpendable
- Invested in Capital Assets, Net of Related Debt

This statement is one way of measuring FVCC's financial position at the end of the fiscal year. Improvements or deterioration of financial position can be measured over time by analyzing the change in Net Position.

The following is a summary of the Statement of Net Position for each fiscal year:

CONDENSED STATEMENT OF NET POSITION

	At 6/30/14	At 6/30/13	At 6/30/12	At 6/30/11
Total Current Assets	\$14,843,217	\$14,834,866	\$14,278,164	\$12,386,769
Total Non-Current Assets	\$33,211,510	\$33,058,448	\$27,910,990	\$27,699,623
TOTAL ASSETS	\$48,054,727	\$47,893,314	\$42,189,154	\$40,086,392
Deferred Outflows	\$0	\$0	\$0	\$0
TOTAL DEFERRED OUTFLOWS	\$0	\$0	\$0	\$0
Total Current Liabilities	\$3,478,840	\$3,739,074	\$3,337,031	\$3,102,103
Total Non-Current Liabilities	\$16,257,621	\$17,708,018	\$16,227,530	\$16,639,130
TOTAL LIABILITIES	\$19,736,461	\$21,447,092	\$19,564,561	\$19,741,233
Deferred Inflows	\$63,373	\$0	\$0	\$0
TOTAL DEFERRED INFLOW	\$63,373	\$0	\$0	\$0
Net Investment in capital assets	\$17,718,080	\$16,163,746	\$12,403,090	\$11,180,629
Restricted-expendable	\$725,000	\$718,901	\$684,472	\$665,515
Unrestricted	\$9,811,813	\$9,563,575	\$9,537,031	\$8,499,015
TOTAL NET POSITION	\$28,254,893	\$26,446,222	\$22,624,593	\$20,345,159

Information significant to reading the Statement of Net Position:

- The Net investment in capital assets is primarily made up of the value of the buildings and the land held by the College and the associated bond indebtedness.
- Restricted-expendable Net Position were held primarily in the grant, scholarship and bond funds.

- Unrestricted Net Position is made up of operating activities, auxiliary activities, and also numerous designated activities.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB 35. GASB 35 has defined appropriations (state and local) as Non-Operating revenues, thus, FVCC is showing an operating loss \$12,789,930 for FY2014. Once the Non-Operating revenues, transfers, gain/loss on capital assets and contributions are considered, the results become a change in Net Position of \$1,454,384 for FY2014. Inclusion of Non-Operating Revenues (state and local appropriations) is a more useful measure of FVCC regular activities.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For Fiscal Year Ended 6/30/14	For Fiscal Year Ended 6/30/13	For Fiscal Year Ended 6/30/12	For Fiscal Year Ended 6/30/11
Operating Revenues	\$ 21,774,036	\$ 24,143,852	\$ 25,172,461	\$ 26,550,803
Operating Expenses	\$ (34,563,966)	\$ (35,079,569)	\$ (35,207,155)	\$ (34,776,148)
Operating Loss	\$ (12,789,930)	\$ (10,935,717)	\$ (10,034,694)	\$ (8,225,345)
Net Non-Operating Revenues/(Expenses)	\$ 13,809,168	\$ 11,891,504	\$ 11,682,829	\$ 10,837,290
Transfers	\$ 17,008	\$ 2,865,842	\$ 7,896	\$ 13,257
Contributions	\$ 420,000	\$ -	\$ -	\$ -
Gain (Loss) on sale of Capital Assets	\$ (1,862)	\$ -	\$ 623,403	\$ -
Change in Net Position	\$ 1,454,384	\$ 3,821,629	\$ 2,279,434	\$ 2,625,202
Net Position - Beginning of year	\$ 26,446,222	\$ 22,624,593	\$ 20,345,159	\$ 17,719,957
Prior Period Adjustments	\$ 354,287	\$ -	\$ -	\$ -
Net Position - End of year	\$ 28,254,893	\$ 26,446,222	\$ 22,624,593	\$ 20,345,159

Information regarding revenue and expense items:

- Operating Revenue: Operating Revenues for FY2014 are \$21,774,036 compared to \$24,143,852 for FY2013. These results consisted of declining Tuition and Fee Revenues and lower Federal Grant Revenue as compared to the same revenue items in FY2013.
- Operating Expense: Operating Expenses for FY2014 are \$34,563,966 versus \$35,079,569 for FY2013. Contributions to the operating expense included increased Personal Services and decreased Scholarship expenses as compared to the same expense items in FY2013.
- Non-Operating Revenues (Expenses): Non-Operating Revenues for FY2014 are \$13,809,168 and \$11,891,504 for FY2013. This total included increased State and Local Appropriation revenue, in addition to a decrease in Debt Service Expense as compared to the same Non Operating Revenue item for FY2013.
- Transfers: Proprietary fund services supplied to Fiduciary fund.
- Contribution: Land donation.
- Prior Period Adjustment: The Montana State Legislative auditors have notified the Montana State University System and Community Colleges that the Other Post Employment Benefits (OPEB) calculation was in error for fiscal years 2008 through 2013 in determining the amount of OPEB expense and liability.

Statement of Cash Flows

The Statement of Cash Flows summarizes where cash was provided or utilized throughout the fiscal year. Cash flows are presented in operating activities, non-capital financing activities, capital and related financing activities and investing activities. The sum of these four categories is the net change in cash, which was an increase of \$267,461 for FY2014. Cash used by Operating activities increased from \$9,011,272 in FY13 to \$10,688,958 in FY14. This result is due to decreased Tuition, Fee, Federal grant revenue and an increase in Supply, Payroll, and Contracted Services Expense, offset by a decreasing use of cash for Scholarship Expense compared to these items in FY13.

CONDENSED STATEMENT CASH FLOWS

	For Fiscal Year Ended 6/30/14	For Fiscal Year Ended 6/30/13	For Fiscal Year Ended 6/30/12	For Fiscal Year Ended 6/30/11
Cash Provided (Used) by:				
Operating Activities	\$ (10,688,958)	\$ (9,011,272)	\$ (7,411,036)	\$ (6,313,679)
Noncapital Financing Activities	\$ 14,207,961	\$ 15,151,953	\$ 12,109,937	\$ 11,249,583
Capital and Related Financing Activities	\$ (3,331,827)	\$ (5,779,213)	\$ (2,783,722)	\$ (3,331,307)
Investing Activities	\$ 80,285	\$ 77,105	\$ 145,973	\$ 177,721
Net Increase (Decrease) in Cash	\$ 267,461	\$ 438,573	\$ 2,061,152	\$ 1,782,318
Cash and Cash Equivalents, beginning of year	\$ 12,953,799	\$ 12,515,226	\$ 10,454,074	\$ 8,671,756
Cash and Cash Equivalents, end of year	\$ 13,221,260	\$ 12,953,799	\$ 12,515,226	\$ 10,454,074

Flathead Valley Community College Foundation

The Flathead Valley Community College Foundation is comprised of a volunteer Board of Directors that focuses on raising money to fund student scholarships and programs at Flathead Valley Community College. The Foundation is considered a discretely presented component unit of Flathead Valley Community College and its financial statements and notes are presented in addition to Flathead Valley Community College financials.

Significant Capital Asset and Long-Term Debt Activity

At the June 23, 2014 Flathead Valley Community College Board of Trustee's meeting, the Board approved resolution 14-4 which authorizes the issuance and private sale of General Obligation Refunding Bonds, Series 2014. The College is authorized to work to refinance the General Obligation Bonds, Series 2005 and Series 2006, to achieve a reduction in the levy to taxpayers, due to the current lower interest rate environment.

Flathead Valley Community College, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>FY 2014</u>
ASSETS	
Current assets:	
Cash and investments	\$ 12,496,260
Taxes and assessments receivable, net	379,063
Grants receivable	432,845
Tuition receivable - net	352,271
Accounts receivable - net	724,547
Other assets	201,315
Inventories	256,916
Total current assets	<u>\$ 14,843,217</u>
Noncurrent assets:	
Restricted cash and investments	\$ 725,000
Capital assets - land	2,915,200
Capital assets - construction in progress	54,873
Capital assets - depreciable, net	29,516,437
Total noncurrent assets	<u>\$ 33,211,510</u>
Total assets	<u><u>\$ 48,054,727</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 633,545
Deposits payable	7,865
Interest payable	12,447
Accrued payroll	166,789
Unearned revenue - tuition and fees	605,962
Bond premium	86,204
Current portion of early retirement liabilities	4,920
Current portion of long-term capital liabilities	1,355,655
Current portion of compensated absences payable	605,453
Total current liabilities	<u>\$ 3,478,840</u>
Noncurrent liabilities:	
Noncurrent portion of long-term capital liabilities	13,412,775
Noncurrent portion of compensated absences	964,181
Other post employment benefits	1,880,665
Total noncurrent liabilities	<u>\$ 16,257,621</u>
Total liabilities	<u><u>\$ 19,736,461</u></u>
DEFERRED INFLOWS OF RESOURCES	
Grant received in advance	63,373
	<u><u>\$ 63,373</u></u>
NET POSITION	
Net investment in capital assets	\$ 17,718,080
Restricted for debt service	725,000
Unrestricted	9,811,813
Total net position	<u><u>\$ 28,254,893</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	FY 2014
OPERATING REVENUES	
Tuition and fees (net of scholarship allowances of \$ 712,664)	\$ 6,659,144
Federal grants and contracts	10,396,062
State grants and contracts	617,072
Private and local grants and contracts	1,595,593
Indirect cost recoveries	180,306
Seminars and workshops (net of waivers of \$ 0)	143,067
Auxiliary activities	1,915,334
Other operating revenues	267,458
Total operating revenues	<u>\$ 21,774,036</u>
OPERATING EXPENSES	
Personal services	\$ 17,011,909
Travel	321,903
Supplies	2,479,470
Contracted services	2,603,541
Bond issue expense	135,781
Bad debt expense	157,427
Scholarships and grants	8,680,244
Noncapitalized equipment (under \$5000)	1,013,577
Other operating expenses	309,749
Depreciation expense	1,850,365
Total operating expenses	<u>\$ 34,563,966</u>
Operating income (loss)	<u>\$ (12,789,930)</u>
NON-OPERATING REVENUES (EXPENSES)	
State appropriations	\$ 8,468,076
Statewide University Millage	498,962
Local appropriations	5,236,843
Interest revenue	80,285
Debt service interest expense	(474,998)
Total non-operating revenues (expenses)	<u>\$ 13,809,168</u>
Income (loss) before contributions and transfers	<u>\$ 1,019,238</u>
Transfers from fiduciary funds	17,008
Loss on Disposal of Capital Assets	(1,862)
Contributions	420,000
Change in net position	<u>\$ 1,454,384</u>
Net Position - Beginning of the year	\$ 26,446,222
Prior Period Adjustment - OPEB	354,287
Net Position - Beginning of the year - Restated	<u>\$ 26,800,509</u>
Net Position - End of the year	<u>\$ 28,254,893</u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

	FY14
	Business - Type
	Activities
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 6,183,668
Cash received from federal grants and contracts	10,867,484
Cash received from grants and contracts	2,212,665
Cash received from seminars and workshops	143,067
Cash received from auxiliary activities	1,915,334
Cash received from miscellaneous sources	447,764
Cash payment to suppliers	(4,512,922)
Cash payment for contracted services	(2,603,541)
Cash payment for scholarships and grants	(8,680,244)
Cash payment to employees	(16,662,233)
Net cash provided (used) by operating activities	\$ (10,688,958)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (1,696,069)
Principal paid on debt	(1,290,491)
Interest paid on debt	(345,267)
Net cash provided (used) by capital and related financing activities	\$ (3,331,827)
Cash flows from non-capital financing activities:	
Cash received from state appropriations	\$ 8,468,076
Cash received from local appropriations	5,722,877
Cash received from other sources	17,008
Net cash provided (used) from non-capital financing activities	\$ 14,207,961
Cash flows from investing activities:	
Interest on investments	\$ 80,285
Net Increase (decrease) in cash and cash equivalents	\$ 267,461
Cash and cash equivalents at beginning	12,953,799
Cash and cash equivalents at end	\$ 13,221,260
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (12,789,930)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,850,365
Other Post Employment Benefits payable	208,145
Changes in assets and liabilities:	
Grants Receivable	488,361
Accounts Receivable	(239,431)
Inventory	(261)
Other Assets	(1,632)
Accounts Payable and accrued liabilities	(250,549)
Compensated absences payable	128,594
Accrued payroll	12,937
Unearned revenue - tuition and fees	(69,064)
Unearned revenue - grants	(16,939)
Deposits Payable	(9,554)
Net Cash provided (used) by operating activities	\$ (10,688,958)
Noncash investing, capital and financing activities	
Contribution - Land	\$ 420,000

See accompanying notes to the financial statements

Flathead Valley Community College, Flathead County, Montana
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds
ASSETS	
Cash and short-term investments	\$ <u>225,309</u>
LIABILITIES	
Accounts payable	\$ 713
Deposits payable	<u>1,540</u>
Total liabilities	\$ <u>2,253</u>
NET POSITION	
Assets held in trust	\$ <u><u>223,056</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Contributions from private sources	\$ 14,653
Misc. Revenue	20,639
Agency Revenue (net of Waivers \$ 803)	87,803
Total additions	<u>\$ 123,095</u>
DEDUCTIONS	
Student activities	\$ 102,400
Transfers to FVCC	17,008
Total deductions	<u>\$ 119,408</u>
Change in net assets	<u>\$ 3,687</u>
Net Position - Beginning of the year	<u>\$ 219,369</u>
Net Position - End of the year	<u><u>\$ 223,056</u></u>

See accompanying Notes to the Financial Statements

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION

December 31, 2013

	<u>2013</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 70,364
Investments	9,392,124
Pledges receivables	2,890,646
Other current assets	233,858
TOTAL ASSETS	\$ <u>12,586,992</u>
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Accounts payable and other liabilities	\$ 439,110
Foundation scholarships payable	279,554
Other scholarships payable	156,537
Deferred gift liability	202,775
TOTAL LIABILITIES	\$ <u>1,077,976</u>
NET ASSETS	
Unrestricted	\$ 589,973
Temporarily restricted	5,054,856
Permanently restricted	5,864,187
TOTAL NET ASSETS	\$ <u>11,509,016</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>12,586,992</u>

See Notes to the Financial Statements

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT				
Pledges and other public support	\$ 164,872	\$ 630,856	\$ 1,133,446	\$ 1,929,174
In-kind donations	292,377	142,841	-	435,218
Net realized and unrealized investment gains	554	665,978	-	666,532
Investment income	118	152,316	-	152,434
Impairment loss on investments	-	(309,996)	-	(309,996)
Net position released from restriction	<u>1,589,806</u>	<u>(1,589,806)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	\$ <u>2,047,727</u>	\$ <u>(307,811)</u>	\$ <u>1,133,446</u>	\$ <u>2,873,362</u>
ALLOCATIONS AND EXPENSE				
Program services				-
Scholarship awards	\$ 312,291	\$ -	\$ -	\$ 312,291
Program disbursements	885,508	-	-	885,508
Other program expenses	300,634	-	-	300,634
Prizes	56,787	-	-	56,787
Supporting services				
Professional fees	32,379	-	-	32,379
Investment management fees	37,194	-	-	37,194
Management and general	<u>150,314</u>	<u>-</u>	<u>-</u>	<u>150,314</u>
TOTAL EXPENSES	\$ <u>1,775,107</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,775,107</u>
CHANGES IN NET POSITION	\$ 272,620	\$ (307,811)	\$ 1,133,446	\$ 1,098,255
NET POSITION - BEGINNING OF YEAR	\$ 63,002	\$ 5,238,370	\$ 5,109,389	\$ 10,410,761
PRIOR PERIOD ADJUSTMENT	<u>254,351</u>	<u>124,297</u>	<u>(378,648)</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 589,973</u>	<u>\$ 5,054,856</u>	<u>\$ 5,864,187</u>	<u>\$ 11,509,016</u>

See Notes to the Financial Statements

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net position	\$ 1,098,255
Adjustments to reconcile change in net assets to net cash flow provided (used) by operating activities:	
(Gain) loss on investments	(666,532)
Change in operating assets and liabilities:	
(Increase) decrease in assets:	
Pledges and grants receivable	77,037
Other current assets	695,641
Increase (decrease) in liabilities:	
Accounts payable	(461,990)
Scholarships payable	<u>(6,621)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ <u>735,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for purchase of investments	\$ <u>(866,659)</u>
NET INCREASE (DECREASE) IN CASH	\$ (130,869)
CASH - BEGINNING OF YEAR	\$ 2,416,209
PRIOR PERIOD ADJUSTMENT - See Note 7 Page 34	<u>(2,214,976)</u>
CASH - END OF YEAR	\$ <u>70,364</u>

See Notes to the Financial Statements

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*, incorporates the pre-November 30, 1989 FASB, APB and ARB pronouncements that the GASB considers to be applicable to state and local governments.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal years ending June 30, 2014.

Financial Reporting Entity

In determining the financial reporting entity, the College complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the College appointed a voting majority of the units' board; the College is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the College complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the College. Effective July 1, 2012 the College adopted the provision of GASB statement No. 61, *The Financial Reporting Entity* which amended statement No. 14.

Primary Government

The College was established under Montana law to provide post-secondary educational services. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the College is a primary government as defined by GASB Cod. Sec. 2100 and has a component unit.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending December 31, 2013. The College has the following discretely presented component units:

- Flathead Valley Community College Foundation – The Flathead Valley Community College Foundation has a separate audit performed. A separate copy of the audited financials can be obtained by contacting: Flathead Valley Community College Foundation, 777 Grandview Drive, Kalispell, MT 59901.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Basis of Presentation, Measurement Focus and Basis of Accounting.

Proprietary Funds:

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

The College reports the student activities funds as a fiduciary funds as they represent assets held in a trust capacity for the student activities and therefore cannot be used to support the College's own programs.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The College's cash held by the County Treasurer, except petty cash, and pooled with other County cash. With the College cash which is not necessary for short-term obligations, the College participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2014, consisted of certificates of deposit, savings accounts, and U.S. Government Securities.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The College does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer's office, 800 S. Main Street, Kalispell, Montana 59901. Fair value approximates carrying value for investments as of June 30, 2014. The Flathead County external investment pool is not rated.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

The College maintains cash-on-hand (petty cash) for the operating locations accepting cash transactions. The total cash-on-hand at year-end was \$6,300.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments, and restricted cash.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the College as of June 30, 2014. These amounts are reported within the cash/investment account on the Combined Balance Sheet.

<u>Description</u>	<u>Amount</u>
Restricted Cash for Debt Payment	\$ <u>725,000</u>

NOTE 4. RECEIVABLES

Taxes

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the College. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

Student Accounts (Tuition) Receivable

An allowance for uncollectible accounts has been established for student accounts receivable. As of June 30, 2014 total student accounts receivable totaled \$1,390,573 with an allowance for uncollectible accounts of \$1,038,302. The net balance of \$352,271 is reported as Tuition Receivable.

NOTE 5. CAPITAL ASSETS

The College's assets are capitalized at historical cost or estimated historical cost. College policy has set the capitalization threshold for reporting capital assets based on the type of capital asset. Items costing \$5,000 or more and having a useful life of more than one year will be capitalized and depreciated over the useful life of the item. Buildings and building improvements costing more than \$25,000, any land purchases regardless of cost, land improvements and infrastructure costing \$10,000 or more, and library books treated as a collection is 3% or more of total capital assets reported by the Flathead Valley Community College are capitalized. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Information Technology.....	3 – 7 years
Buildings.....	40 years
Building Improvements.....	40 years
Equipment.....	5 – 20 years
Library.....	10 years
Land Improvements.....	20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the College has included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

A summary of changes in capital assets was as follows:

Business-type activities:

	Balance July 1, 2013	Additions	Transfers/ Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,495,200	\$ 420,000 *	\$ -	\$ 2,915,200
Construction in progress	283,395	54,872	(283,394)	54,873
Total capital assets not being depreciated	<u>\$ 2,778,595</u>	<u>\$ 474,872</u>	<u>\$ (283,394)</u>	<u>\$ 2,970,073</u>
Other capital assets:				
Buildings	\$ 32,202,881	\$ 426,269	\$ 283,394	\$ 32,912,544
Improvements other than buildings	2,561,296	24,032	-	2,585,328
Machinery and equipment	5,098,090	1,135,377	(6,207)	6,227,260
Library Inventory	447,067	50,519	(23,265)	474,321
Leasehold Improvements	555,045	-	-	555,045
Information Technology	908,902	5,000	-	913,902
Total other capital assets at historical cost	<u>\$ 41,773,281</u>	<u>\$ 1,641,197</u>	<u>\$ 253,922</u>	<u>\$ 43,668,400</u>
Less: accumulated depreciation	<u>\$ (12,329,209)</u>	<u>\$ (1,849,705)</u>	<u>\$ 26,951</u>	<u>\$ (14,151,963)</u>
Total	<u><u>\$ 32,222,667</u></u>	<u><u>\$ 266,364</u></u>	<u><u>\$ (2,521)</u></u>	<u><u>\$ 32,486,510</u></u>

*See Note 13

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term debt:

Enterprise Fund

	Balance July 1, 2013	Additions	Deletions	Restatements	Balance June 30, 2014	Due Within One Year
General obligation bonds	\$ 12,085,000	\$ -	\$ (700,000)	\$ -	\$ 11,385,000	\$ 725,000
Compensated absences	1,441,040	128,594	-	-	1,569,634	605,453
Intercap loans	3,973,921	-	(602,359)	-	3,371,562	618,787
Capital leases	-	29,220	(17,352)	-	11,868	11,868
OPEB Liability*	2,011,389	223,562	-	(354,286)	1,880,665	-
Early Retirement Liability*	20,338	-	(15,418)	-	4,920	4,920
Total	<u>\$ 19,531,688</u>	<u>\$ 381,376</u>	<u>\$ (1,335,129)</u>	<u>\$ (354,286)</u>	<u>\$ 18,223,649</u>	<u>\$ 1,966,028</u>

*See Note 7

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

General Obligation Bonds

The College issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the College. General obligation bonds outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
Series 2005	3/15/05	3.5-5.0%	20 yrs	7/1/25	\$ 9,900,000	Varies	\$ 6,910,000
Series 2006	7/1/06	3.75-5.0%	20 yrs	7/1/26	<u>5,916,000</u>	Varies	<u>4,475,000</u>
					<u>\$ 15,816,000</u>		<u>\$ 11,385,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 725,000	\$ 445,770
2016	755,000	419,731
2017	780,000	389,181
2018	815,000	357,606
2019	845,000	327,709
2020	880,000	296,022
2021	920,000	262,743
2022	960,000	227,350
2023	1,000,000	190,238
2024	1,040,000	150,607
2025	1,090,000	109,007
2026	1,135,000	64,722
2027	440,000	18,040
Total	<u>\$ 11,385,000</u>	<u>\$ 3,258,726</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Interkap loans outstanding as of June 30, 2014 were as follows:

<u>Loan #</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2014</u>
2112-01	7/20/07	1.00-4.25%	10 yrs	2/15/17	\$ 185,669	\$ 67,162
2112-01	8/10/07	1.00-4.85%	10 yrs	2/15/17	586,810	214,454
2112-03	9/7/07	1.00-4.85%	10 yrs	2/15/17	515,180	186,634
2112-04	9/14/07	1.00-4.85%	10 yrs	2/15/17	252,765	91,255
2112-05	10/12/07	1.00-4.85%	10 yrs	2/15/17	633,102	225,428
2112-06	11/2/07	1.00-4.85%	10 yrs	2/15/17	275,452	105,263
2112-07	11/16/07	1.00-4.85%	10 yrs	2/15/17	143,761	54,937
2112-08	1/11/08	1.00-4.85%	10 yrs	2/15/17	67,567	25,412
2112-09	2/8/08	1.00-4.85%	10 yrs	2/15/17	146,302	55,733
2112-10	4/18/08	1.00-4.25%	10 yrs	2/15/17	106,573	42,038
2112-11	5/9/08	1.00-4.25%	10 yrs	2/15/17	330,804	130,487
2112-12	5/30/08	1.00-4.25%	10 yrs	2/15/17	14,795	5,836
2489-01	4/12/13	1.00%	10 yrs	2/15/23	<u>2,400,000</u>	<u>2,166,923</u>
Total					<u>\$ 5,658,780</u>	<u>\$ 3,371,562</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 618,787	\$ 32,180
2016	638,967	25,941
2017	649,044	19,489
2018	238,752	14,052
2019	241,145	11,659
2020	243,562	9,241
2021	246,002	6,800
2022	248,470	4,334
2023	<u>246,833</u>	<u>1,842</u>
Total	<u>\$ 3,371,562</u>	<u>\$ 125,538</u>

Capital Leases

The College has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Capitalized Original Cost</u>	<u>Less: Accumulated Amortization</u>	<u>Net Value</u>	<u>Remaining Payments as of June 30, 2014</u>
3D Printer	6/14/13	4.00%	\$ 29,670	\$ 8,242	\$ 21,428	\$ 11,868

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ <u>11,868</u>	\$ <u>475</u>

Compensated Absences

Non-teaching College employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees and at the rate of one day per month for the length of time at the full-time teaching contract. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS

Flathead Valley Community College (FVCC) is a part of the Montana University System Employee Group Benefits Plan (MUSEGBBP). FVCC is one of 12 active participants in a cost-sharing multiple-employer defined benefit OPEB plan.

A retiree may continue coverage with the MUSEGBP if the retiree is eligible to receive State Retirement Benefit for Teachers Retirement System (TRS) or the Public Employee Retirement System (PERS) at the time they leave their employment with MUS.

Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for Retiree insurance benefits.

All eligible Retirees must make arrangements with their campus Human Resources/Benefits Office to continue coverage as a Retiree on a self-pay basis within 63 days of retirement.

Additional benefit options are available for Non-Medicare Retirees, Medicare Retirees, Spouse Coverage, and Spouse Coverage Options after the Death of Retiree.

Copies of the plan and additional benefit options can be obtained from the Montana University System.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

There are no required contribution rates of the 12 active participants in the plan.

The actuarial valuation was prepared as of June 30, 2014. FVCC has a phase 2 June 30, 2009 implementation date for GASB #45. The information below is based on the June 30, 2014 actuarial valuation.

<u>All Participants at FVCC</u>	<u>June 30, 2014</u>
Accrued Liability	\$ 2,147,407
Annual Required Contribution (ARC)	\$ 257,802
Participant Count	217
Actuarial Valuation of Assets	\$
Interest / Discount Rate	4.25%
Projected payroll increases	2.5%
Participation	
Future Retirees	55%
Future eligible spouses	60%

Early Retirement Incentive Liability

In 2009 eligible employees were offered a choice between two Early Retirement Incentives. Choice #1 offered individual retiree medical insurance benefits up to \$500/month for a total of five years. Choice #2 offered a cash incentive in place of the above health insurance benefit. The amount will not exceed the amount the retiree health insurance would have costs and is not to exceed \$5,000 per year.

Five employees accepted the early retirement incentive in fiscal year 2009. Assuming a projected increase in health insurance premiums of 5.49 % and a present value discount rate of 1.63%, FVCC recognizes a total liability of \$20,338 in fiscal year 2014. As of June 30, 2014, the balance of the liability is reported at \$4,920.

NOTE 8. STATE-WIDE RETIREMENT PLANS

The College participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees are covered by Montana Teachers Retirement Plan (TRS), and substantially all other College employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014, were:

	<u>PERS**</u>	<u>TRS</u>
Employer	7.80%	8.47%
Employee	7.90%*	8.15%
State	0.37%	2.49%

* For PERS members hired prior 7/1/2011 that rate is 6.90%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the College's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The College's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2012	\$ 368,895	\$ 359,043
2013	\$ 408,367	\$ 373,722
2014	\$ 515,736	\$ 490,406

NOTE 9. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The College offers its employees several types of deferred compensation plans. These plans are created in Internal Revenue Service Code Sections 403(b), 457(b), and 401(b) and are available for the use of Governmental and/or Educational employers. Similar type plans are created under Internal Revenue Service Code Section 401(k) for private and/or corporate employers. The plans permit employees the ability to defer a portion of their salary until future years and be eligible for employer matching under certain criteria. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plans are:

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

403(b) – FVCC Employees Retirement Saving Plan. This plan is administered by VALIC and is a defined contribution plan. All employees of the College are eligible for participation. Participation in this plan is optional and employees are eligible for matching contributions.

457(b) – Section 457(b) Deferred Compensation Plan. This plan is administered by VALIC and is a defined contribution plan. All Employees are eligible to participate in the plan, currently there are two employees in the plan. Employees are allowed to contribute after year 2006 the dollar amount up to \$15,000. The College is not required to make a matching contribution.

401(a) – Flathead Valley Community College 401(a) Exclusive Benefit Plan. This plan is administered by VALIC and is a defined contribution plan. Only the President is eligible participation. Participation in this plan is optional and the employee is eligible for employer contributions.

NOTE 10. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Enterprise	\$ 354,287	OPEB Adjustment

NOTE 11. RELATED PARTY TRANSACTIONS

Related Party Transactions Component Units

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2014:

<u>Component Unit</u>	<u>Significant Transaction</u>
Flathead Valley Community College Foundation Donated	\$ 1,348,227

NOTE 12. RISK MANAGEMENT

The College faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the College has no coverage for potential losses from environmental damages.

NOTE 13 DONATED ASSETS

Bigfork Resident Gives \$420,000 Land Donation to FVCC

Flathead Valley Community College accepted a 27-acre donation of land on Foothill Road valued at \$420,000 from an anonymous resident in Bigfork. The property was given to the college to be used for educational purposes, including instruction, research and activities consistent with FVCC's mission.

FLATHEAD VALLEY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Flathead Valley Community College Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Flathead Valley Community College Foundation assists the Flathead Valley Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Foundation is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Foundation are from contributions and investment income.

Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; whereby revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Classification of Net Assets

The Foundation classifies contributions as unrestricted, temporarily restricted, and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to generate income for specified restricted or unrestricted purposes. Temporarily restricted net assets include gifts restricted as to purpose or time. When a donor restriction expires (time restriction ends, purpose restriction is accomplished, or payments are received for unconditional promises to give), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. All expenses are reported in unrestricted net assets.

FLATHEAD VALLEY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

In-Kind Donations

The Foundation seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. All donated goods are considered gifts in-kind and are valued at their fair market value at the time of donation. The value of donated services are determined by the donors as the usual fees they would receive for such services in the normal course of their business.

Donors are provided receipts showing estimated fair market value for their in-kind donations; these values are established by the donors. Donated goods and services are recorded in the financial statements as unrestricted revenue and as a corresponding unrestricted functional expense or capitalized assets.

Investments

The investments are carried at fair value, and unrecognized gains and losses are reflected in the statement of activities. All gains and investment income are allocated to unrestricted, temporarily restricted, or permanently restricted net assets based on the nature of the restrictions, if any, on the invested assets. Investment income earned from temporarily restricted or permanently restricted net assets that is used to pay scholarships within the same reporting period is accounted for as unrestricted.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance, if applicable, based on its assessment of the current status of individual accounts. As of December 31, 2013, no valuation allowance has been established as management does not anticipate any material loss with respect to the remaining balance of pledges receivable.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenue in accordance with donor stipulations. Unconditional promises to give with payments due in future periods are recognized as temporarily restricted revenue. Restricted contributions whose restrictions are met within the same reporting period are accounted for as unrestricted support. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Donors include individuals and businesses who principally reside in Flathead County.

FLATHEAD VALLEY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

Assets Held under Split-Interest Agreements

Charitable gift annuity agreements require periodic payment of either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate either at a specific time or upon the death of the designated individual. A liability for each gift annuity, where the Foundation is a trustee, is established and calculated as the present value of future payments to be made to the designated beneficiaries. Upon termination, the remaining assets of the annuity are then available for use by the Foundation to be used in accordance with the donor's intent. The Foundation uses an actuarial approach to determine both the contribution and liability amounts to be recognized. Gift annuities in the amount of \$45,280 were entered into by the Foundation during December 31, 2013. The discount rate was 3.8% for the Foundation's entire portfolio of gift annuities as of December 31, 2013.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The income tax years of 2010 to 2012 remain open to examination by the federal taxing authorities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

NOTE 2 -- INVESTMENTS

The Foundation invests primarily in certificates of deposit, U.S. Treasury and agencies, corporate bonds and bond funds, equity securities and mutual funds, and real estate investment trusts. At December 31, 2013, investments are comprised of the following:

	2013	
	Amortized	
	Cost	FMV
Cash and cash equivalents	\$ 1,865,455	\$ 1,865,455
Certificates of deposit	110,000	111,636
U.S. Treasury and agencies	885,604	870,890
Corporate bonds and bond funds	1,631,153	1,651,901
Equity securities and mutual funds	3,913,560	4,892,242
Real estate investment trusts	-	-
	<u>\$ 8,405,772</u>	<u>\$ 9,392,124</u>

FLATHEAD VALLEY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 -- FAIR VALUE MEASUREMENTS

The Foundation follows FASB ASC 820, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels are defined as follows:

Level 1 - observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities itemized below were measured at fair value during the year ended using the market and income approaches. The market approach was used for Level 1 and Level 2. The income approach was used for Level 3.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)
December 31, 2012:	<u>Fair Value</u>			
Investments	\$ 9,392,124	\$ 9,392,124	\$ -	\$ -
Pledges receivable	2,890,646	-	-	2,890,646
Deferred gift liability	202,775	-	202,775	-
	<u>\$ 12,485,545</u>	<u>\$ 9,392,124</u>	<u>\$ 202,775</u>	<u>\$ 2,890,646</u>

FLATHEAD VALLEY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

The table below presents a reconciliation of assets measured at fair value on a recurring basis using Level 3 inputs:

	<u>2013</u>
Balance at January 1	\$ 2,967,683
Pledge payments received	(1,365,510)
New pledges made by donors	1,293,132
Pledges written off	<u>(4,399)</u>
	<u>\$ 2,890,906</u>

NOTE 4 -- PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Foundation. Pledges which will not be received in the subsequent year have not been discounted, as the difference using the estimated rate of return approximates the recorded value. The Foundation estimates the allowance for uncollectable pledges at December 31, 2013 and 2012, was zero. Total unconditional promises to give or grants receivable were as follows:

	<u>2013</u>
In one year or less	\$ 1,345,920
Between one year and five years	<u>1,544,726</u>
	<u>\$ 2,890,646</u>

NOTE 5 -- BOARD RESTRICTIONS

Unrestricted net assets include Board restricted cash and investments for various Foundation projects and other uses. Total Board restricted cash and investments at December 31, 2013 was \$257,463.

NOTE 6 -- ENDOWMENT

The Board has established an endowment for the purpose of funding scholarships for students attending Flathead Valley Community College. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

FLATHEAD VALLEY COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

NOTE 7 -- RESTATEMENT OF PREVIOUSLY REPORTED NET ASSETS

The beginning balances of net assets as of January 1, 2012 have been restated to correct the classification of restricted net assets. The effect of the restatement on was an increase to beginning unrestricted net assets of \$254,351, an increase to beginning temporarily restricted net assets of \$124,297, and a decrease to permanently restricted net assets of \$378,648.

The beginning cash balance of the Foundation's Statement of Cash Flows has been restated to reflect a change in cash equivalents that are held in the Endowment. Those have been reclassified from cash and cash equivalents to investments.

NOTE 8 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2015.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Flathead Valley Community College
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial	Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation Date	Value of Assets	Liability (AAL)	Accrued	AAL	Ratio	Payroll	Percentage
	(a)	Unit Credit Cost Method		(UAAL)	(a/b)	(c)	of Covered
		(b)		(b-a)			Payroll
							((b-a)/(c))
July 1, 2009	\$ -	\$ 4,137,471		\$ 4,137,471	0%	\$ 11,078,458	37%
July 1, 2011	\$ -	\$ 2,365,335		\$ 2,365,335	0%	\$ 15,084,883	16%
July 1, 2013	\$ -	\$ 2,147,407		\$ 2,147,407	0%	\$ 16,049,598	13%

SUPPLEMENTAL INFORMATION

FLATHEAD VALLEY COMMUNITY COLLEGE
 FLATHEAD COUNTY, MONTANA
 SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

STUDENT FINANCIAL AID MODIFIED STATEMENT
 OF CASH RECEIPTS AND DISBURSEMENTS - UNAUDITED

	<u>PELL</u>	<u>CWS</u>	<u>SEOG</u>
Beginning Cash Balance	\$ <u>(167,280)</u>	\$ <u>(26,460)</u>	\$ <u>(607)</u>
Additions:			
Federal Advances	3,786,544	76,577	43,329
State Matching	<u>-</u>	<u>49,545</u>	<u>17,547</u>
Total Additions	\$ <u>3,786,544</u>	\$ <u>126,122</u>	\$ <u>60,876</u>
Deductions:			
Distributions to Students	3,644,233	103,418	61,666
Administrative Expenses	<u>5,515</u>	<u>24</u>	<u>-</u>
Total Deductions	\$ <u>3,649,748</u>	\$ <u>103,442</u>	\$ <u>61,666</u>
Net Change in Cash	\$ <u>119,796</u>	\$ <u>22,680</u>	\$ <u>(709)</u>
Ending Cash Balance	\$ <u><u>(30,484)</u></u>	\$ <u><u>(3,780)</u></u>	\$ <u><u>(1,397)</u></u>

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
SCHEDULE OF FEDERAL EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS - UNAUDITED
FOR YEAR ENDED JUNE 30, 2014

	<u>2014</u>
College Work Study	
Wages	\$ <u>55,873</u>
Total College Work Study	\$ <u><u>55,873</u></u>
 Supplemental Education Opportunity Grant Program	
Student Grants	\$ <u><u>44,119</u></u>
 Pell Grant Program	
Student Grants	\$ <u><u>3,644,233</u></u>

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE OF FULL TIME EQUIVAVLENT - AUDITED

<u>Semester</u>	<u>Resident</u>	<u>WUE</u>	<u>Nonresident</u>	<u>Total</u>
Summer 2013	260.10	-	19.60	279.70
Fall 2013	1,442.00	4.10	53.60	1,499.70
Spring 2014	1,399.80	3.10	56.40	1,459.30

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA

FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUNCTIONAL CLASSIFICATION
OF OPERATING EXPENSES - AUDITED

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operation and Maint of Plant	Auxiliary	Total
Salaries	\$ 5,667,502	\$ 223,036	\$ 1,599,993	\$ 1,797,821	\$ 1,924,679	\$ 219,788	\$ 523,131	\$ 594,650	\$ 12,550,600
Benefits	1,931,124	61,699	580,592	638,469	674,251	138,571	234,725	201,878	4,461,309
Travel	47,967	29,565	94,828	50,511	78,239	10,256	-	10,537	321,903
Supplies	666,171	38,505	91,539	59,703	281,104	76,059	149,712	1,116,677	2,479,470
Contracted Services	338,312	159,334	191,584	177,151	611,045	33,451	901,168	191,496	2,603,541
Bond Issue Exp	-	-	-	-	-	-	135,781	-	135,781
Bad Debt Exp	-	-	-	-	157,427	-	-	-	157,427
Non Capitalized Equip	28,524	2,750	104,921	43,056	93,929	7,783	693,848	38,766	1,013,577
Scholarships and Grants	-	-	1,528	103,400	-	8,575,316	-	-	8,680,244
Other Operating Expense	-	17,764	126,929	15,011	87,352	26,958	-	35,735	309,749
Depreciation Expense	-	-	-	-	-	-	1,850,365	-	1,850,365
	<u>\$ 8,679,600</u>	<u>\$ 532,653</u>	<u>\$ 2,791,914</u>	<u>\$ 2,885,122</u>	<u>\$ 3,908,026</u>	<u>\$ 9,088,182</u>	<u>\$ 4,488,730</u>	<u>\$ 2,189,739</u>	<u>\$ 34,563,966</u>

SINGLE AUDIT SECTION

Flathead Valley Community College, Flathead County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2013

Federal Granter/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through or Grantor's Number	Program or Award Amount	Federal Expenditures June 30, 2013
<u>U.S. Department of Agriculture</u>				
<i>Direct:</i>				
Secondary & Two Year Postsecondary Agriculture Education Challenge Grants	10.226	2011-38414-30498	\$ 134,862	\$ 74,710
<u>U.S. Department of Labor</u>				
<i>Direct :</i>				
Community Based Job Training Grants	17.269	CB-20579-10-60-A-30	\$ 2,951,196	\$ 1,185,278
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23760-12-60-A-30	\$ 2,999,969	467,965
<i>Passed through Consortium Member with Pueblo Community College as Lead:</i>				
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23780-12-60-A-8/ CCCS#1713	\$ 737,642	4,316
Total U.S. Department of Labor				\$ 1,657,559
<u>National Science Foundation</u>				
<i>Direct :</i>				
Engineering Grants	47.041	ECC-1037762	\$ 149,662	\$ 39,831
Education and Human Resources	47.076	DUE-1104075	\$ 198,305	44,655
Total U.S. National Science Foundation				\$ 84,486
<u>Small Business Administration</u>				
<i>Passed through Montana Department of Commerce:</i>				
Small Business Development Centers	59.037	OSBDC-2012-02-CY 2012	\$ 47,651	\$ 23,826
Small Business Development Centers	59.037	OSBDC-2013-02-CY 2013	\$ 45,706	24,040
Total Small Business Administration				\$ 47,866
<u>U.S. Department of Education</u>				
<i>Direct:</i>				
Federal Supplemental Educational Opportunity Grants	84.007	P007A122416	\$ 58,357	\$ 58,357
Federal Supplemental Educational Opportunity Grants	84.007	P007A112416	\$ 51,773	8,416
Higher Education Institutional Aid	84.031	P031A090004	\$ 1,997,367	479,034
Federal Work Study Program	84.033	P033A122416	\$ 62,247	62,223
TRiO - Student Support Services	84.042	P042A101232-12	\$ 323,238	286,413
TRiO - Student Support Services	84.042	P042A101232-11	\$ 323,238	40,830
Federal Pell Grant Program	84.063	P063P122851	\$ 4,139,397	4,128,439
Federal Pell Grant Program	84.063	P063P112851	\$ 4,622,663	12,737
Federal Direct Student Loans	84.268	P268K132851	\$ 5,745,727	5,053,651
Federal Direct Student Loans	84.268	P268K122851	\$ 5,745,427	65,437
<i>Passed through Montana Office of Public Instruction:</i>				
Adult Education Basic Grants to States	84.002	58-6503-56-13-BG	\$ 97,264	85,810
<i>Passed through the Office of Commissioner of Higher Education</i>				
Vocational Education - Basic Grants to States	84.048A	PL 109-270	\$ 213,204	193,437
Vocational Education - Basic Grants to States	84.048A	Big Sky Pathways	\$ 55,286	48,664
College Access Challenge Grant (Governor's Jobs Scholarships)	84.378	MCG13014	\$ 45,000	45,000
College Access Challenge Grant Program (Financial Literacy Program)	84.378A		\$ 7,486	2,186
College Access Challenge Grant (scholarships)	84.378		\$ 4,000	4,000
Total U.S. Department of Education				\$ 10,574,634
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Montana Department of Health and Human Services:</i>				
Child Care and Development Block Grant	93.575	1302HIED0011	\$ 27,086	\$ 20,380
Child Care and Development Block Grant	93.575	1202HIED0011	\$ 27,086	5,293
Total U.S. Department of Health and Human Services				\$ 25,673
<u>Corporation for National and Community</u>				
<i>Passed through University of Montana</i>				
Americorps	94.006	PG-12-67348-04	\$ 32,435	\$ 3,819
<i>Passed through University of Denver</i>				
Americorps	94.006		\$ 6,900	2,682
Total Corporation for National and Community				\$ 6,501
Total Federal Financial Assistance				\$ 12,471,429

N/A = Not Applicable or Not Available

Flathead Valley Community College, Flathead County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through or Grantor's Number	Program or Award Amount	Federal Expenditures June 30, 2014
<u>U.S. Department of Agriculture</u>				
<i>Direct:</i>				
Secondary & Two Year Postsecondary Agriculture Education Challenge Grants	10.226	2011-38414-30498	\$ 134,862	\$ 5,505
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through the City of Kalispell, MT</i>				
Community Development Block Grants/State's Program	14.228	MT-CDB6-ED-03-01	\$ 273,945	\$ 256,812
<u>U.S. Department of Labor</u>				
<i>Direct:</i>				
Trade Adjustment Assistance Community College and Career Training	17.282	TC-25034-13-60 -A-30	\$ 3,466,107	\$ 45,551
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23760-12-60-A-30	\$ 2,999,969	\$ 775,562
<i>Passed through Consortium Member with Pueblo Community College as Lead:</i>				
Trade Adjustment Assistance Community College and Career Training	17.282	TC-23780-12-60-A-8/ CCCS#1713	\$ 737,642	\$ 362,326
Total U.S. Department of Labor				\$ 1,183,439
<u>National Science Foundation</u>				
<i>Direct:</i>				
Engineering Grants	47.041	ECC-1037762	\$ 149,662	\$ 54,750
Education and Human Resources	47.076	DUE-1104075	\$ 198,305	\$ 26,884
Total U.S. National Science Foundation				\$ 81,634
<u>Small Business Administration</u>				
<i>Passed through Montana Department of Commerce:</i>				
Small Business Development Centers	59.037	OSBDC-2014-02-CY 2014	\$ 50,912	\$ 25,456
Small Business Development Centers	59.037	OSBDC-2013-02-CY 2013	\$ 45,706	\$ 18,701
Total Small Business Administration				\$ 44,157
<u>U. S. Department of Education</u>				
<i>Direct:</i>				
Federal Supplemental Educational Opportunity Grants	84.007	P007A132416	\$ 52,642	\$ 44,119
Higher Education Institutional Aid	84.031	P031A090004	\$ 1,997,367	\$ 430,183
Federal Work Study Program	84.033	P033A132416	\$ 53,873	\$ 53,873
Federal Work Study Program	84.033	P033A122416	\$ 62,247	\$ 24
TRiO - Student Support Services	84.042	P042A101232-13	\$ 306,333	\$ 274,490
TRiO - Student Support Services	84.042	P042A101232-12	\$ 323,238	\$ 41,950
Federal Pell Grant Program	84.063	P063P122851	\$ 4,139,397	\$ 16,848
Federal Pell Grant Program	84.063	P063Q122851	\$ 490	\$ 490
Federal Pell Grant Program	84.063	P063P132851	\$ 3,752,147	\$ 3,627,385
Federal Pell Grant Program	84.063	P063Q132851	\$ 5,025	\$ 5,025
Federal Direct Student Loans	84.268	P268K132851	\$ 5,115,576	\$ 61,925
Federal Direct Student Loans	84.268	P268K142851	\$ 5,115,576	\$ 3,887,984
<i>Passed through Montana Office of Public Instruction:</i>				
Adult Education Basic Grants to States	84.002	58-6503-56-14-BG	\$ 88,946	\$ 64,068
<i>Passed through the Office of Commissioner of Higher Education</i>				
Vocational Education - Basic Grants to States	84.048A	PL 109-270	\$ 223,164	\$ 192,041
Vocational Education - Basic Grants to States	84.048A	Big Sky Pathways	\$ 64,986	\$ 46,876
College Access Challenge Grant (Governor's Jobs Scholarships)	84.378	MCG14043	\$ 38,000	\$ 38,000
College Access Challenge Grant Program (Financial Literacy Program)	84378A		\$ 20,000	\$ 6,498
Total U.S. Department of Education				\$ 8,791,779
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Montana Department of Health and Human Services:</i>				
Child Care and Development Block Grant	93.575	1402HIED0011	\$ 25,142	\$ 17,200
Child Care and Development Block Grant	93.575	1302HIED0011	\$ 27,086	\$ 5,706
Total U.S. Department of Health and Human Services				\$ 22,906
<u>Corporation for National and Community</u>				
<i>Passed through University of Denver</i>				
America rps	94.006	2012-2013	\$ 6,900	\$ 4,386
America rps	94.006	2013-2014	\$ 6,900	\$ 5,444
Total Corporation for National and Community				\$ 9,830
Total Federal Financial Assistance				\$ 10,396,062

N/A = Not Applicable or Not Available

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2013 and 2014

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedules) includes the federal grant activity of Flathead Valley Community College under programs of the federal government for the years ended June 30, 2013 and 2014. The information in the Schedules is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedules present only a selected portion of the operations of the College, it is not intended to and does not present the financial positions, changes in net assets, or cash flows of the College.

Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles of Educational Institutions*, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the business-type activities, the discretely presented component units, and the aggregate remaining fund information of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Flathead Valley Community College's basic financial statements and have issued our report thereon dated February 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Flathead Valley Community College, Flathead County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Flathead Valley Community College, Flathead County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Flathead Valley Community College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Flathead Valley Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denning, Downey and Associates, CPA's, P.C.

February 23, 2015

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Trustees
Flathead Valley Community College
Flathead County
Kalispell, Montana

Report on Compliance for Each Major Federal Program

We have audited Flathead Valley Community College, Flathead County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Flathead Valley Community College's major federal programs for the years ended June 30, 2013 and 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Flathead Valley Community College, Flathead County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of College's compliance.

Opinion on Each Major Federal Program

In our opinion, Flathead Valley Community College, Flathead County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2013 and 2014.

Report on Internal Control Over Compliance

Management of Flathead Valley Community College, Flathead County, Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Denning, Downey and Associates, CPA's, P.C.

February 23, 2015

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Years Ended June 30, 2013 and 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.268, 84.063, 84.033, 84.007	Student Financial Aid Cluster
17.282	Trade Adjustment Assistance Community College and Career Training

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

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Section II – Financial Statement Findings

There were no financial statement findings or questioned costs reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.